

INFORMATION BULLETIN #94
INCOME TAX

SEPTEMBER 2004

(Replaces Information Bulletin #91 dated January 2003)

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SUBJECT: Rerefined Lubrication Oil Facility Tax Credit

REFERENCE: IC 6-3.1-22.2

INTRODUCTION:

This Bulletin is intended to summarize the tax credit available for property tax paid for an oil rerefining facility.

I. REREFINED LUBRICATION OIL

Rerefined lubrication oil is base oil manufactured from at least ninety-five percent (95%) used oil, and uses not more than two percent (2%) previously unused oil in a refining process that effectively removes physical and chemical impurities and spent and unspent additives to the extent that the base oil is capable of meeting industry standards for engine oil.

II. ELIGIBLE ENTITIES AND TAXES FOR WHICH THE CREDIT MAY BE APPLIED AGAINST

A taxpayer is an individual or entity that has state tax liability, including pass through entities.

The tax credit can be applied against the following taxes:

- State Gross Retail and Use Tax
- Adjusted Gross Income Tax
- Financial Institutions Tax
- Insurance Premiums Tax

III. QUALIFICATION FOR THE CREDIT

A person is entitled to a credit against his/her state tax liability in a taxable year for a percentage of the ad valorem property taxes paid in the taxable year for: real property on which a facility that processes rerefined lubrication oil is located; and personal property used in the processing of rerefined lubrication oil, including personal property used in the transportation of rerefined lubrication oil to and from the processing facility.

IV. CALCULATION OF THE CREDIT

The amount of the credit to which a taxpayer is entitled equals the product of:
The amount of ad valorem property taxes paid by the taxpayer in a taxable year;
multiplied by the percentage that corresponds to the tax year listed below.

YEAR	PERCENTAGE OF CREDIT
2001	100%
2002	80%
2003	60%
2004	40%
2005	20%

A taxpayer is entitled to a carry-forward of any unused credit for a period not to exceed two years. However, no unused credit may be carried forward to a tax year beginning after December 31, 2007.

The Department of Commerce shall determine if the taxpayer is entitled to the credit.



Kenneth L. Miller
Commissioner